

Message Text

LIMITED OFFICIAL USE

PAGE 01 REYKJA 01223 311016Z

11

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 DLOS-04 OFA-01 /091 W

----- 078288

R 301715Z OCT 75

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 5737

INFO CINCLANT

COMICEDEFOR

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

USMISSION NATO

LIMITED OFFICIAL USE REYKJAVIK 1223

E.O. 11652: N/A

TAGS: ECON, IC

SUBJECT: PRIME MINISTER POLICY SPEECH

REF: REYKJAVIK A-64 DTD SEPT 29, 1975

1. (BEGIN UNCLASSIFIED). SUMMARY. PRIME MINISTER HALLGRIMSON DELIVERED HIS MAJOR POLICY ADDRESS TO THE ALTHING ON OCTOBER 23, SHORTLY AFTER THE NEW SESSION BEGAN. ROUGHLY EQUIVLAENT TO THE STATE OF UNION ADDRESS IN THE UNITED STATES, THE SPEECH DWELT PRIMARILY ON ECONOMIC MATTERS WHICH THE PRIME MINISTER CALLED UPON ALTHING MEMBERS TO FOCUS THEIR ATTENTION. UNLIKE LAST YEAR, DEFENSE MATTERS WERE NOT MENTIONED IN THE ADDRESS. THE SECTION IN THE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 REYKJA 01223 311016Z

SPEECH GIVEN TO FISHERY MATTERS WAS IN THE

TRADITIONAL VIEN AND PROVIDED NO SURPRISES. (END SUMMARY).

2. BACKGROUND. IN WHAT WAS LARGELY A SPEECH DEALING WITH ECONOMIC POLICY, THE PM CALLED FOR BELT TIGHTENING BY THE VARIOUS SECTORS OF THE ICELANDIC COMMUNITY. EMPHASIZING THE ECONOMIC PROBLEMS WHICH ICELAND IS CURRENTLY EXPERIENCING, HE CITED VARIOUS STATISTICS, INCLUDING A 9 PER CENT DECREASE IN REAL NATIONAL INCOME ON A PER CAPITA BASIS FOR 1975. THIS DECREASE EXCEEDED THE 8 PER CENT ONE WHICH OCCURRED IN THE 1968 RECESSION IN ICELAND.

3. MEASURES NEEDED. PM CALLED FOR A REDUCTION IN EXPENDITURES AND A COORDINATED EFFORT IN DEALING WITH WAGE AND PRICE PROBLEMS, AS WELL AS WITH FINANCE AND LOAN MATTERS. NOTING SOME IMPROVEMENT IN THE INFLATION PICTURE, HE TOLD THE ALTHING THAT NOW IS THE TIME "TO BUILD A SOUND FOUNDATION." FULL EMPLOYMENT WILL CONTINUE TO BE THE PRIME CONCERN OF THE GOVERNMENT, HOWEVER, PM DID CALL FOR WAGE RESTRAINT IN THE LABOR SECTOR IN ORDER TO REDUCE INFLATION TO 10 TO 15 PER CENT BY END OF 1976. HE STATED THAT BUDGET CUTS ARE NECESSARY BOTH AS REGARDS SOCIAL SERVICES AND CAPITAL INVESTMENT I ORDER TO CONTROL INFLATION AND TO HOLD DOWN THE LOAN PAYMENTS BURDEN.

4. IN SETTING A GOAL TO ERASE THE TRADE IMBALANCE IN THE NEXT THREE TO FOUR YEARS, PM NOTED THAT EVEN IF ICELAND WERE TO ATTAIN THIS OBJECTIVE, THE FOREIGN DEBT OF ICELANDERS WILL HAVE REACHED 50 PER CENT OF THE GNP BY THE END OF THE DECADE AND THE PAYMENTS BURDEN WILL BY THEN TOTAL APPROXIMATELY 20 PER CENT OF ICELAND'S ANNUAL FOREIGN EXCHANGE EARNINGS.

5. FISHING LIMITS. PM SAID: "THE ICELANDIC GOVERNMENT HAS ADOPTED THE NATURAL POLICY OF NEGOTIATING WITH ALL NATIONS WHICH REQUEST NEGOTIATIONS, ON THE GROUNDS THAT THE 200 MILE AREA WILL AS A WHOLE BECOMA A CONSERVATION AREA AS SOON AS POSSIBLE. THE CONCESSIONS WHICH CONCEIVABLY MAY BE GRANTED, MUST BE BASED ON MAJOR REDUCTION OF FISH CATCHES TO BE TAKEN OUT BY FOREING FISHING SHIPS, A MAJOR REDUCTION OF THE TOTAL NUMBER OF FOREIGN FISHING SHIPS, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 REYKJA 01223 311016Z

A GENERAL MOVEMENT FARTHER AWAY FROM OUR SHORES OF THE AREAS IN WHICH FOREIGN FISHING SHIPS MIGHT BE PERMITTED TO FISH AND TOTAL CONSERVATION OF THE 50 MILE FISHING JURISDICTION, IF POSSIBLE. AT THE SAME TIME IT MUST BE CLEAR THAT THERE WILL BE NEGOTIATED ONLY SHORT TERM CONCESSION AGREEMENT." (END UNCLASSIFIED).

6. (BEGIN LIMITED OFFICIAL USE). COMMENTS. IN REPAIR

EMBASSY NOTED THAT MINISTER OF COMMERCE (PROGRESSIVE PARTY) WAS ALMOST ALONE IN BRINGING HOME TO ICELANDERS SERIOUSNESS OF PRESENT ECONOMIC SITUATION. NOW BOTH PM AND FINANCE MINISTER (BOTH INDEPENDENCE PARTY) HAVE ADDED THEIR VOICES TO THIS GROWING CONCERN. WHY THIS PARTICULAR TIME WAS CHOSEN, OR WHY THE DEPARTURE FROM THE IP PRESS LINE THAT THE ECONOMY WAS LOOKING UP, IS NOT CLEAR. THE SPEECH DOES FIT IN WITH UPCOMING DEBATE ON THE BUDGET BILL WHICH ALTHING USUALLY INCREASES. WHILE GOVERNMENT PROPOSED BUDGET LEVEL IS SUBSTANTIAL INCREASE OVER THE APPROVED FOR 1975, IT DOES PROVIDE FOR REDUCTIONS IN SOCIAL SERVICES, PAYMENTS AND EDUCATION PROJECTS, ALL HARD FOR MPS TO SUPPORT. WHEN PM SPEECH IS RELATED TO FINANCE MINISTER'S STATEMENT THAT CONTINUED FOREIGN BORROWING IS OUT OF THE QUESTION (ICELAND IS CURRENTLY SEEKING \$50 MILLION FOREIGN EXCHANGE BACKSTOPPING), THIS MAY REFLECT GOVERNMENT'S GROWING CONCERN WITH ITS FINANCIAL STANDING IN THE INTERNATIONAL COMMUNITY. MARTIN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, SPEECHES, CENTRAL LEGISLATURE, FISHING LIMITS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975REYKJA01223
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750378-0572
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975105/aaaaaehp.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 REYKJAVIK A-64
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by KelleyW0>; APPROVED <30 SEP 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER POLICY SPEECH
TAGS: ECON, EFIS, IC, (HALLGRIMSSON, GEIR)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006